

## Message Text

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16

ACTION COME-00

INFO OCT-01 ARA-16 ISO-00 EB-12 MC-02 PM-07 NSC-07 SP-03

SS-20 RSC-01 XMB-07 CIAE-00 INR-11 NSAE-00 L-03

TRSE-00 OMB-01 AID-05 DRC-01 /097 W

----- 006267

R 042204Z OCT 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 2741

INFO AMCONSUL GUAYQUIL

C O N F I D E N T I A L QUITO 6597

E.O. 11652: GDS

TAGS: BEXP, EC

SUBJ: FOREIGN BUYER PROGRAM: ECUADOREAN SUBSECRETARY OF GOVERN-  
MENT, DR. CARLOS ESTARELLAS MERINO

REF: A. QUITO 3609; B. USDOC 14423

1. BEGIN UNCLASSIFIED: IN COMPLIANCE WITH REF B AND WITH  
VERBAL REQUEST TO COMATT DURING WASHINGTON VISIT, FOLLOWING  
IS REPORT ON RESULT OF ECUADOREAN MINISTRY OF GOVERNMENT  
EFFORTS TO PURCHASE POLICE VEHICLES, AND OTHER EQUIPMENT.  
INFO WAS OBTAINED DURING EMBOFFS VISIT TO SUBSECRETARY  
ESTARELLAS OCTOBER 1.

2. VEHICLES: PRODUCT LITERATURE RECEIVED FROM COMMERCE IN  
LATE JULY AND PASSED TO LT. GALVEZ CONTAINED INFORMATION  
FROM ONLY TWO VEHICLE MANUFACTURERS (FORD AND GM). IN ANY  
CASE, MINGOV HAS OPTED TO GO ALL THE WAY WITH CHEVROLET  
AND INTENDS EFFECT FOLLOWING PURCHASES: 57 PATROL CARS  
(NOVAS), 20 WINCHES, 15 AMBULANCES, AND 50 JEEPS.  
PURCHASE OF SPARE PARTS WILL EQUAL 10 - 20 PERCENT OF VALUE  
OF VEHICLES. ADDITIONALLY, MINGOV IS NEGOTIATING WITH FEDERAL  
SIGNAL COMPANY TO BUY 100 SIREN/WARNING LIGHT UNITS FOR THESE  
VEHICLES.

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3. ONLY PROBLEM WITH CHEVROLET MENTIONED BY ESTARELLAS

AND GALVEZ IS LACK OF RESPONSE BY U.S. FIRM TO MINGOV INTEREST IN ALSO PURCHASING BUSES, PICKUP TRUCKS AND TWO COMPLETE VEHICLE MAINTENANCE REPAIR CENTERS. AS PREVIOUSLY REPORTED, MINISTER WANTS TO SIMPLIFY PURCHASING AND STANDARDIZE EQUIPMENT, AND IS ANXIOUS TO RECEIVE CHEVROLET QUOTATIONS FOR THESE ADDITIONAL VEHICLES AND EQUIPMENT. IN VIEW OF SIZE OF ORDER, ESTARELLAS REQUESTS VISIT TO ECUADOR BY GM OFFICIAL TO DISCUSS DETAILS, AND ASKS THAT COMMERCE ASSIST TO OBTAIN GM VISIT. END UNCLASSIFIED

4. BEGIN CONFIDENTIAL ARMS AND AMMUNITION: ESTARELLAS IS VERY PLEASED WITH DEMONSTRATION OF RUGER MINI - 14 (.223 CAL.) CARBINE AND PLANS TO ORDER 10,000, IF QUOTED CIF PRICE PER 1,000 LOT REMAINS \$111.71 PER CARBINE. RUGER CO. IS ALSO ANXIOUS TO SELL ITS VERSION OF .38 POLICE REVOLVER (OFFERED AT \$57.49 EACH), BUT TECHNICAL COMMISSION HAS ALREADY DECIDED TO PURCHASE 10,000 SMITH & WESSON REVOLVERS AT \$64 EACH, SINCE POLICE ARE MORE FAMILIAR WITH USE OF THE LATTER. (COMMENT: GALVEZ EXPRESSED DOUBTS ABOUT RUGER CARBINE, WHICH USES NON-STANDARD SIZE AMMUNITION. HE PREFERS NATO CARBINE FOR WHICH AMMO "WILL ALWAYS BE AVAILABLE"). FOR OPENERS, ESTARELLAS PLANS TO PURCHASE 5 MILLION ROUNDS FOR RUGER CARBINE AND ONE MILLION FOR SMITH & WESSON REVOLVERS. HE HAS ASKED EMBOFFS TO ASSIST OBTAIN SUPPLIERS FOR THIS AMMO. EMBASSY IS FORWARDING TO BY SEPARATE CABLE. END CONFIDENTIAL.

5. BEGIN UNCLASSIFIED: ESTARELLAS ALSO MENTIONED GOE INTEREST IN PRISON REFORM AND ASKED EMBOFFS TO SEEK US CONSULTANT FIRM SPECIALIZED IN PLANNING, RESTRUCTURING AND ADMINISTRATION OF PENAL INSTITUTIONS. SEPARATE TO BEING FORWARDED.

6. FINALLY, ESTARELLAS ADVISED THT MINGOV HAS SOLICITED FROM PRESIDENT RODRIGUEZ A SUPREME DECREE WHICH WOULD EXEMPT MINGOV FROM HAVING TO PURCHASE ABOVE VEHICLES AND EQUIPMENT UNDER PUBLIC TENDER, AS IS NOW REQUIRED BY LAW. PURPOSE IS TO PURCHASE DIRECTLY FROM U.S. FACTORIES WITHOUT PAYING WHAT SUBSECRETARY CONSIDERS IN MANY CASES EXHORBITANT COMMISSIONS TO LOCAL AGENT/DISTRIBUTORS. IN EVENT DECREE IS DENIED, ESTARELLAS WISHES TO KNOW IF U.S. SUPPLIERS (READ CHEVROLET) CONFIDENTIAL

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ARE FREE TO DETERMINE AMOUNT OF COMMISSION WHICH LOCAL DISTRIBUTORS WOULD RECEIVE.

7. ESTARELLAS EXPRESSED APPRECIATION FOR COMMERCE ASSISTANCE DURING WASHINGTON VISIT. GALVEZ, HOWEVER, MENTIONED THAT EXIMBANK RATES WERE HIGHLY UNFAVORABLE BECAUSE BANK PROVIDES ONLY 45 PERCENT OF LOAN AND MINGOV WOULD HAVE TO SEEK BALANCE FROM OWN SOURCES AT

PREVAILING HIGH COMMERCIAL INTEREST RATES. WE HAVE PASSED EXIMBANK LITERATURE TO GLVEZ AND ADVISED THAT MINGOV SHOULD WORK THROUGH US EXPORTERS IN SEEKING EXIM FINANCING. WE WERE INFORMED, HOWEVER, THAT MIN GOV HAS THE US\$6 MILLION BUDGETED FOR THE PURCHASE OF ABOVE EQUIPMENT DURING CY 74 AND 75.

8. ACTION REQUESTED: THAT COMMERCE CONTACT GM (CHEVROLET) AND SOLICIT COOPERATION BY CHEVROLET IN SENDING OFFICIAL TO ECUADOR PREPARED TO DISCUSS PRICE OF BUSES, PICKUP TRUCKS AND ASSISTANCE IN ESTABLISHING TWO MAINTENANCE CENTERS FOR CHEVY VEHICLES. OFFICIAL SHOULD ALSO BE PREPARED TO DISCUSS POSSIBILITY OF DIRECT FACTORY SALE BYPASSING LOCAL DISTRIBUTORS.  
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